

## APPENDIX A

### AUDIT QUESTIONNAIRE FOR AUTHORITY AUDITS

Each question must be answered. Please circle Yes or No. If any are not applicable, insert N/A as your answer.

AUTHORITY \_\_\_\_\_

YEAR UNDER AUDIT \_\_\_\_\_

AUDITOR SIGNATURE \_\_\_\_\_

AUDITOR FIRM \_\_\_\_\_

AUDITOR ADDRESS \_\_\_\_\_

AUDITOR PHONE # \_\_\_\_\_

*"NO" answers must be explained in detail. Attach additional sheets if more space is required. Answers to questions which indicate corrections or improvements are required and must be covered by comment and recommendation in the audit report. If not covered, explain in detail.*

## AUDIT QUESTIONNAIRE

AUTHORITY: \_\_\_\_\_

### General

- |    |   |     |    |
|----|---|-----|----|
| 1. | Is a general ledger maintained by the authority?  | YES | NO |
| 2. | Are key employees bonded in amounts required by organization policy?                                      | YES | NO |
| 3. | Is insurance coverage in force for at least the following:  | YES | NO |
|    | Loss or damage to assets from fire or other hazards   | YES | NO |
|    | Public liability and property damage  | YES | NO |
|    | Robbery, burglary, theft and disappearance  | YES | NO |
|    | Worker's compensation   | YES | NO |
| 4. | Are loans to employees prohibited?  | YES | NO |
| 5. | Has the Bureau of Authority Regulation been notified of deficiencies in the accounting system or records? | YES | NO |
| 6. | Has a corrective action plan been filed for the previous year audit report?                               | YES | NO |

### Cash and Investments

- |    |   |     |    |
|----|---|-----|----|
| 1. | Has the authority adopted a cash management plan?   | YES | NO |
| 2. | Are all depositories and accounts authorized by resolution of the governing body?                                     | YES | NO |
| 3. | Are receipts deposited within 48 hours?   | YES | NO |
| 4. | Are the duties of personnel who receive and deposit cash separate from investments, cash disbursing, and bookkeeping? | YES | NO |
| 5. | Are cash receipts adequately safeguarded before deposit?  | YES | NO |
| 6. | Is responsibility for the petty cash fund vested in only one person?  | YES | NO |

7.	Are petty cash disbursements supported by signed receipts which are attached to reimbursement vouchers?	YES	NO
8.	Are check signers designated by resolution?	YES	NO
9.	If a mechanical check signer is used, is the signature plate under adequate control?	YES	NO
	Are there procedures to control and record the check numbers and amount of checks signed?	YES	NO
10.	Is there adequate security over blank checks?	YES	NO
11.	Are the duties of the personnel who disburse cash separate from the function of approving vouchers?	YES	NO
12.	Are bank statements reconciled monthly?	YES	NO
	Is the sequence of check numbers accounted for?	YES	NO
	Are check endorsements scrutinized?	YES	NO
13.	Are outstanding checks older than 6 months investigated?	YES	NO
14.	Are investments under the control of a responsible official who does not receive or disburse cash?	YES	NO
15.	Are all investments issued in the name of the authority?	YES	NO
16.	Are all investment transactions approved by the governing body?	YES	NO
17.	Are all investments permitted by law or bond agreement?	YES	NO
18.	Are perpetual records of investments reflecting all pertinent information maintained?	YES	NO
19.	Is interest income verified?	YES	NO
	Is it promptly recorded in the accounting records?	YES	NO
20.	Are investments examined periodically and verified with the detail record and control account?	YES	NO
21.	Are investments protected against loss or theft?	YES	NO

### Accounts Receivable and Income

1.	Are billings to users independently verified?	YES	NO
2.	Is there segregation of duties between accounts receivable, record maintenance, billing, and receipt of cash?	YES	NO
3.	Are total accounts receivable balances verified with the accounts receivable control periodically?	YES	NO
4.	Are delinquent accounts receivable reviewed and collection procedures initiated by a responsible official?	YES	NO
5.	Are accounts receivable records promptly posted?	YES	NO
	Billings to users?	YES	NO
	Cash receipts?	YES	NO
6.	Are adjustments to accounts receivable approved by a responsible official?	YES	NO

### Inventory

1.	Are inventories of material and supplies under physical control of a designated employee who is not responsible for purchasing?	YES	NO
2.	Is the storage area properly safeguarded to prevent damage to materials and unauthorized removal?	YES	NO
3.	Do quantities appear reasonable for normal consumption?	YES	NO
4.	Are physical inventories taken annually and supervised by non-store room personnel?	YES	NO
5.	Are responsible officials advised of significant inventory discrepancies?	YES	NO

## Accounts Payable and Purchasing

1.	Are the following requirements of the Local Public Contracts Law (40A:11) being followed and documented	YES	NO
	Competitive bidding and contract award?	YES	NO
	Informal quotations on purchases not requiring public bidding (40A:11-6.1)?	YES	NO
	Certificate of availability of funds prior to award of contracts(Reg.5:30-14.5)?	YES	NO
	Resolutions adopted and advertised authorizing agreements for professional services (40A:11-5)?	YES	NO
	Emergency purchases and contracts (40A:11-6)?	YES	NO
2.	Are prenumbered purchase orders issued for all purchases, except petty cash purchases?	YES	NO
3.	Is there a record of all purchase orders issued?	YES	NO
4.	Are quantities and description of materials and supplies received:	YES	NO
	Compared to purchase orders?	YES	NO
	Compared to vendors' invoices?	YES	NO
	Verified with packing or delivery slips?	YES	NO
5.	Are open purchase orders reviewed periodically?	YES	NO
6.	Do vouchers approved for payment contain:	YES	NO
	Signature of person who verified quantities and description of materials received or services rendered?	YES	NO
	Copies of purchase order, delivery slips, etc.?	YES	NO
7.	Were all vouchers approved by the governing body?	YES	NO
8.	Is there segregation of duties between the purchasing, receiving and cash disbursement functions?	YES	NO
9.	Are total accounts payable balances verified with the accounts payable control periodically?	YES	NO

### Payroll

1.	Are payrolls approved by a responsible official outside the payroll department?	YES	NO
2.	Are the functions of payroll preparation and distribution separated?	YES	NO
3.	Are the personnel records maintained separately from payroll preparation and distribution?	YES	NO
4.	Are names added to and deleted from payroll and rates of pay changed only upon written authorization?	YES	NO
5.	Are new employees, employee promotions and rates of pay approved by the governing body?	YES	NO
6.	Are all payroll deductions supported by signed authorizations on file?	YES	NO
7.	Are payroll deductions promptly paid to the proper agencies?	YES	NO
8.	Are records maintained to control and verify vacation time, sick leave, etc., taken and accumulated?	YES	NO
9.	Are all employees paid by check?	YES	NO
10.	Are payroll check endorsements scrutinized?	YES	NO
11.	Are old outstanding payroll checks investigated by someone independent of the payroll preparation?	YES	NO
12.	Is there a separate bank account for payroll disbursements?	YES	NO
	Are deposits in exact amount of payroll?	YES	NO
	Is the payroll bank balance reconciled monthly by someone independent of payroll preparation?	YES	NO
	Are payroll procedures established by resolution of the governing body?	YES	NO

### Property, Plant and Equipment

1.	Are detailed fixed asset records maintained?	YES	NO
	Are fixed assets properly identified with the fixed asset records?	YES	NO
	Are additions and deletions properly authorized and promptly recorded?	YES	NO

2.	Is the documentation substantiating the cost of fixed assets permanently filed?	YES	NO
3.	Is there a written policy defining items to be capitalized and those to be expensed?	YES	NO
4.	Does the capitalization of interest and other indirect costs conform to accounting principles?	YES	NO
5.	Is a physical inventory of fixed assets taken periodically and verified to fixed asset records?	YES	NO
6.	Are dispositions of fixed assets properly recorded and sales proceeds promptly accounted for in the accounting records?	YES	NO
7.	Are fixed assets properly safeguarded against loss by fire, unauthorized use or theft?	YES	NO

#### Long and Short Term Debt

1.	Is a detailed record such as a bond or note register maintained of debt issued and outstanding?	YES	NO
	Are principal and interest due dates and amounts reflected and date of payment recorded?	YES	NO
2.	Are debt issues properly authorized by the governing body?	YES	NO
3.	Does the expenditure of borrowed funds conform to the purposes authorized?	YES	NO
4.	Are paid bonds and notes properly cancelled and accounted for?	YES	NO
5.	Are required sinking fund deposits promptly made?	YES	NO

#### Budget System

1.	Were the adopted operating and capital budgets and amendments there to approved by the Director of Local Government Services?	YES	NO
2.	Were the adopted budgets and amendments recorded in the minutes?	YES	NO
3.	Are there sufficient controls to monitor expenses and revenues against budgeted amounts?	YES	NO

4.	Is a budget status report periodically furnished to the governing body?	YES	NO
5.	Are appropriations encumbered when purchase orders are issued?	YES	NO
6.	Are fixed assets acquired through budget appropriations properly capitalized?	YES	NO

#### Grant Management

1.	Is a permanent file of each grant maintained?	YES	NO
2.	Does the accounting system provide details of eligible expenditures to be reimbursed from each grant?	YES	NO
3.	Is each expenditure reviewed for compliance with the terms of the applicable grant?	YES	NO
4.	Does the authority have a grant manager?	YES	NO
5.	Are all required reports promptly filed with the grant or agency?	YES	NO
6.	Were grant reimbursement requests filed promptly?	YES	NO
7.	Are assets acquired from grant funds properly identified?	YES	NO
8.	If indirect costs are chargeable to grants, has the method of allocation been approved?	YES	NO

#### Electronic Data Processing

1.	Does the authority utilize electronic data processing for accounting or financial functions? <i>(If "no," disregard items 2 through 14).</i>	YES	NO
2.	If "yes," was the system approved by the Division of Local Government Services?	YES	NO
3.	Are there sufficient audit trails to identify documents being processing and identify output?	YES	NO



4.	Are there daily printouts of:	YES	NO
	Transactions?	YES	NO
	Rejected transactions?	YES	NO
	Error corrections?	YES	NO
5.	Are the daily printouts reviewed and approved by supervisory personnel?	YES	NO
6.	Are journal entries and error corrections authorized by supervisory personnel?	YES	NO
7.	Are master files updated periodically and on schedule prevent loss of data in transaction files?	YES	NO
8.	Are there periodic printouts of updated files by E.D.P. transactions?	YES	NO
9.	Are authorized users validated by user codes and passwords?	YES	NO
10.	Are terminals located in a secure area, to prevent access by unauthorized personnel?	YES	NO
11.	Are there backup operators to process transactions in the absence of the authorized operator?	YES	NO
12.	Are there copies of all critical materials such as programs, master files, transaction files, etc.?	YES	NO
13.	Are these copies stored in a safe location (off site or in a fire proof vault on site)?	YES	NO
14.	Are mechanisms in place to guard against loss due to power failures, fire , flood, etc.?	YES	NO

**The foregoing Questionnaire must be separately filed with the Division of Local Government Services for each report of audit. It is not to be bound in the report.**

## **APPENDIX B**

### **AUDIT QUESTIONNAIRE FOR FIRE DISTRICT AUDITS**

Each question must be answered. Please circle Yes or No. If any are not applicable, insert N/A as your answer.

FIRE DISTRICT \_\_\_\_\_

YEAR UNDER AUDIT \_\_\_\_\_

AUDITOR SIGNATURE \_\_\_\_\_

AUDITOR FIRM \_\_\_\_\_

AUDITOR ADDRESS \_\_\_\_\_

\_\_\_\_\_

AUDITOR PHONE # \_\_\_\_\_

"NO" answers must be explained in detail. Attach additional sheets if more space is required. Answers to questions which indicate corrections or improvements are required must be covered by comment and recommendation in the audit report. If not covered, explain in detail.

## AUDIT QUESTIONNAIRE

FIRE DISTRICT \_\_\_\_\_

### General

- |    |   |     |    |
|----|---|-----|----|
| 1. | Is a general ledger maintained by the district?   | YES | NO |
| 2. | Are key employees bonded in amounts required by organization policy?                                      | YES | NO |
| 3. | Is insurance coverage in force for at least the following:  | YES | NO |
|    | Loss or damage to assets from fire and other hazards?   | YES | NO |
|    | Public liability and property damage?   | YES | NO |
|    | Robbery, burglary, theft and disappearance?   | YES | NO |
|    | Worker's compensation?  | YES | NO |
| 4. | Are loans to employees prohibited?  | YES | NO |
| 5. | Has the Bureau of Authority Regulation been notified of deficiencies in the accounting system or records? | YES | NO |
| 6. | Has a corrective action plan been filed for the previous year audit report?                               | YES | NO |

### Cash and Investments

- |    |   |     |    |
|----|---|-----|----|
| 1. | Has the district adopted a cash management plan?  | YES | NO |
| 2. | Are all depositories and accounts authorized by resolution of the governing body?                                     | YES | NO |
| 3. | Are receipts deposited within 48 hours?   | YES | NO |
| 4. | Are the duties of personnel who receive and deposit cash separate from investments, cash disbursing, and bookkeeping? | YES | NO |
| 5. | Are cash receipts adequately safeguarded before deposit?  | YES | NO |
| 6. | Is responsibility for the petty cash fund vested in only one person?  | YES | NO |

7.	Are petty cash disbursements supported by signed receipts which are attached to reimbursement vouchers?	YES	NO
8.	Are check signers designated by resolution?	YES	NO
9.	If a mechanical check signer issued, is the signature plate under adequate control?	YES	NO
	Are there procedures to control and record the check numbers and amount of check signed?	YES	NO
10.	Is there adequate security over blank checks?	YES	NO
11.	Are the duties of personnel who disburse cash separate from the function of approving vouchers?	YES	NO
12.	Are bank statements reconciled monthly?	YES	NO
	Is the sequence of check numbers accounted for?	YES	NO
	Are check endorsements scrutinized?	YES	NO
13.	Are outstanding checks older than 6 months investigated?	YES	NO
14.	Are investments under the control of a responsible official who does not receive or disburse cash?	YES	NO
15.	Are all investments issued in the name of the district?	YES	NO
16.	Are all investment transactions approved by the governing body?	YES	NO
17.	Are all investments permitted by law or bond agreement?	YES	NO
18.	Are perpetual records of investments reflecting all pertinent information maintained?	YES	NO
19.	Is interest income verified?	YES	NO
	Is it promptly recorded in the accounting records?	YES	NO
20.	Are investments examined periodically and verified with the detail record and control account?	YES	NO
21.	Are investments protected against loss or theft?	YES	NO

### Accounts Receivable and Income

*(District Taxes, User Charges and Miscellaneous)*

1.	Has the district tax levy been verified with the Abstract of Ratables?	YES	NO
2.	Does the district tax revenue agree to the tax levy?	YES	NO
3.	Are billings to users independently verified?	YES	NO
4.	Is there segregation of duties between accounts receivable , record maintenance, billing, and receipt of cash?	YES	NO
5.	Are total accounts receivable balances verified with the accounts receivable control periodically?	YES	NO
6.	Are delinquent accounts receivable reviewed and collection procedures initiated by a responsible official?	YES	NO
7.	Are accounts receivable records promptly posted?	YES	NO
	Billings to users?	YES	NO
	Cash receipts?	YES	NO
8.	Are adjustments to accounts receivable approved by a responsible official?	YES	NO

### Inventory

1.	Is the storage area properly safeguarded to prevent damage to materials and unauthorized removal?	YES	NO
2.	Do quantities appear reasonable for normal consumption?	YES	NO
3.	Are physical inventories taken annually?	YES	NO

### Accounts Payable and Purchasing

1.	Are the following requirements of the Local Public Contracts Law (40A:11) being followed and documented:	YES	NO
	Competitive bidding and contract award?	YES	NO
	Informal quotations on purchases not requiring public bidding (40A:11-6.1)?	YES	NO
	Certificate of availability of funds prior to award of contracts (Reg.5:30-14.5)?	YES	NO
	Resolutions adopted and advertised authorizing agreements for professional services (40A:11-5)?	YES	NO
	Emergency purchases and contracts (40A:11-6)?	YES	NO
2.	Are prenumbered purchase orders issued for all purchases, except petty cash purchases?	YES	NO
3.	Is there a record of all purchase orders issued?	YES	NO
4.	Are quantities and description of materials and supplies received:	YES	NO
	Compared to purchase orders?	YES	NO
	Compared to vendors' invoices?	YES	NO
	Verified with packing or delivery slips?	YES	NO
5.	Are open purchase orders reviewed periodically?	YES	NO
6.	Do vouchers approved for payment contain:	YES	NO
	Signature of person who verified quantities and description of materials received or services rendered?	YES	NO
	Copies of purchase order, delivery slips, etc.?	YES	NO
7.	Were all vouchers approved by the governing body?	YES	NO
8.	Is there segregation of duties between the purchasing, receiving and cash disbursement functions?	YES	NO
9.	Are total accounts payable balances verified with the accounts payable control periodically?	YES	NO

### Payroll

1.	Are the functions of payroll preparation and distribution separated?	YES	NO
2.	Are names added to and deleted from payroll and rates of pay changed only upon written authorization?	YES	NO
3.	Are new employees, employee promotions and rates of pay approved by the governing body?	YES	NO
4.	Are payroll deductions promptly paid to the proper agencies?	YES	NO
5.	Are records maintained to control and verify vacation time, sick leave, etc., taken and accumulated?	YES	NO
6.	Are all employees paid by check?	YES	NO
7.	Is there a separate bank account for payroll disbursements?	YES	NO
	Are deposits in exact amount of payroll?	YES	NO
	Is the payroll bank balance reconciled monthly by someone independent of payroll preparation?	YES	NO
	Are payroll procedures established by resolution of the governing body?	YES	NO

### Property, Plant and Equipment

1.	Are detailed fixed asset records maintained?	YES	NO
	Are fixed assets properly identified with the fixed asset records?	YES	NO
	Are additions and deletions properly authorized and promptly recorded?	YES	NO
2.	Is the documentation substantiating the cost of fixed assets permanently filed?	YES	NO
3.	Is there a written policy defining items to be capitalized and those to be expensed?	YES	NO
4.	Does the capitalization of interest and other indirect costs conform to accounting principles?	YES	NO
5.	Do fixed asset additions conform to the adopted or amended capital budget?	YES	NO

6.	Are fixed assets carried on the accounting records at cost or, if acquired by gift, at fair market value at date of gift?	YES	NO
7.	Is a physical inventory of fixed assets taken periodically and verified to fixed asset records?	YES	NO
8.	Are dispositions of fixed assets properly recorded and sales proceeds promptly accounted for in the accounting records?	YES	NO
9.	Are fixed assets properly safeguarded against loss by fire, unauthorized use or theft?	YES	NO

#### Long and Short Term Debt

1.	Is a detailed record such as a bond or note register maintained of debt issued and outstanding?	YES	NO
	Are principal and interest due dates and amounts reflected and date of payment recorded?	YES	NO
2.	Are debt issues properly authorized by the governing body?	YES	NO
3.	Does the expenditure of borrowed funds conform to the purposes authorized?	YES	NO
4.	Are paid bonds and notes properly cancelled and accounted for?	YES	NO
5.	Are required sinking fund deposits promptly made?	YES	NO

#### Capital Leases

1.	Have all capital leases been approved by the voters?	YES	NO
2.	Has the project financing for capital leases been approved by the Local Finance Board?	YES	NO



### Budget System

1.	Were the adopted operating and capital budgets and amendments there to approved by the Director of Local Government Services?	YES	NO
2.	Were the adopted budgets and amendments recorded in the minutes?	YES	NO
3.	Are there sufficient controls to monitor expenses and revenues against budgeted amounts?	YES	NO
4.	Is a budget status report periodically furnished to the governing body?	YES	NO
5.	Are appropriations encumbered when purchase orders are issued?	YES	NO
6.	Are fixed assets acquired through budget appropriations properly capitalized?	YES	NO

### Grant Management

1.	Is a permanent file of each grant maintained?	YES	NO
2.	Does the accounting system provide details of eligible expenditures to be reimbursed from each grant?	YES	NO
3.	Is each expenditure reviewed for compliance with the terms of the applicable grant?	YES	NO
4.	Are all required reports promptly filed with the grant or agency?	YES	NO
5.	Were grant reimbursement requests filed promptly?	YES	NO
6.	Are assets acquired from grant funds properly identified?	YES	NO
7.	If indirect costs are chargeable to grants, has the method of allocation been approved?	YES	NO

### Electronic Data Processing

- |     |  |     |    |
|-----|--|-----|----|
| 1.  | Does the district utilize Electronic Data Processing for accounting or financial functions?<br><i>(If "no," disregard items 2 through 14).</i> | YES | NO |
| 2.  | If "yes," was the system approved by the Division of Local Government Services?  | YES | NO |
| 3.  | Are there sufficient audit trails to identify documents being processing and identify out put?   | YES | NO |
| 4.  | Are master files updated periodically and on schedule prevent loss of data in transaction files?   | YES | NO |
| 5.  | Are there periodic printouts of updated files by E.D.P. transactions?  | YES | NO |
| 6.  | Are authorized users validated by user codes and passwords?  | YES | NO |
| 7.  | Are terminals located in a secure area, to prevent access by unauthorized personnel?   | YES | NO |
| 8.  | Are there copies of all critical materials such as programs, master files, transaction files, etc.?  | YES | NO |
| 9.  | Are these copies stored in a safe location (off site or in a fire proof vault on site)?  | YES | NO |
| 10. | Are mechanisms in place to guard against loss due to power failures, fire, flood, etc.?  | YES | NO |

**The foregoing Questionnaire must be separately filed with the Division of Local Government Services for each report of Audit. It is not to be bound in the report.**

## APPENDIX C

### RESOLUTION

**WHEREAS**, N.J.S.A. 40A:5A-5 requires the governing body of each local authority to cause an annual audit of its accounts to be made, and

**WHEREAS**, the annual audit report for the fiscal year ended \_\_\_\_\_ has been completed and filed with the \_\_\_\_\_ pursuant to N.J.S.A. 40A:5A-15, and

**WHEREAS**, N.J.S.A. 40A:5A- 17, requires the governing body of each authority to, within 45 days of receipt of the annual audit, certify by resolution to the Local Finance Board that each member there of has personally reviewed the annual audit report, and specifically the sections of the audit report entitled "General Comments" and "Recommendations," and has evidenced same by group affidavit in the form prescribed by the Local Finance Board, and

**WHEREAS**, the members of the governing body have received the annual audit and have personally reviewed the annual audit, and have specifically reviewed the sections of the annual audit report entitled "General Comments" and "Recommendations," in accordance with N.J.S.A. 40A:5A-17,

**NOW, THEREFORE BE IT RESOLVED**, that the governing body of the \_\_\_\_\_ hereby certifies to the Local Finance Board of the State of New Jersey that each governing body member has personally reviewed the annual audit report for the fiscal year ended \_\_\_\_\_, and specifically has reviewed the sections of the audit report entitled "General Comments" and "Recommendations," and has evidenced same by group affidavit in the form prescribed by the Local Finance Board.

**BE IT FURTHER RESOLVED** that the secretary of the authority is hereby directed to promptly submit to the Local Finance Board the aforesaid group affidavit, accompanied by a certified true copy of this resolution.

IT IS HEREBY CERTIFIED THAT THIS IS A TRUE COPY OF THE RESOLUTION PASSED AT THE MEETING HELD ON \_\_\_\_\_

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Date

**LOCAL AUTHORITIES GROUP AFFIDAVIT FORM**  
**PRESCRIBED BY THE NEW JERSEY LOCAL FINANCE BOARD**  
**AUDIT REVIEW CERTIFICATE**

We, the members of the governing body of the \_\_\_\_\_, being of full age and being duly sworn according to law, upon our oath depose and say:

1. We are duly appointed/elected (cross out one) members of the \_\_\_\_\_
2. We certify, pursuant to N.J.S.A. 40A:5A-17, that we have each reviewed the annual audit report for the fiscal year ended \_\_\_\_\_, and specifically the \_\_\_\_\_ sections of the audit report entitled "General Comments" and "Recommendations."

(PRINT NAME)

(SIGNATURE)

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Sworn to and subscribed before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_  
Notary Public of New Jersey

## **APPENDIX D**

### **CHAPTER VII Financial Report**

#### **TOPIC Special Confidential Report**

#### **SECTION3**

### **3. Special Confidential Report**

#### **Auditor's Responsibility for the Detection of Errors, Irregularities and Illegal Acts**

Under generally accepted auditing standards, the independent auditor has the responsibility, with in the inherent limitations of the auditing process to search for errors or irregularities that would have a material effect on the financial statements. The auditor should plan and perform his examination with an attitude of professional skepticism, recognizing that the application of his auditing procedures may produce evidential matter indicating the possibility of errors, irregularities or illegal acts. The auditor's examination however is not primarily or specifically designed, and cannot be relied upon to disclose defalcations and other irregularities, although their discovery may result.

If the independent auditor's examination causes him to believe that irregularities or other illegal acts have occurred, he should immediately notify the Division of Local Government Services (DLGS) by means of a special Confidential Report exhibited below.

#### **Report Format**

Confidential report blanks are in triplicates; one for filing with the DCA, one copy for filing with the Authority, and the third copy for the auditor's files. Blanks can be procured upon request from the DCA and are prepared as follows:

##### *Section 1:*

This is a preliminary report and must be filed with the DCA within forty-eight hours after the discovery of any irregularity or shortage regardless of whether or not the facts have been definitely established.

##### *Section 2:*

Must be filed immediately after the auditor has completed his work or after he has completed his preliminary work to a point where he can make a fair determination as to the amount involved. The auditor must file supplements or preliminary reports from time to time pending the filing of Section 3 in completed form.

##### *Section 3:*

Must be filed upon final disposition of the case.

In connection with every shortage, there must be an immediate written report to:

A. The Director, New Jersey Division of Local Government Services.

B. The Chairman of the Authority's governing body.

The governing body should be advised to make an immediate report to the bonding company upon presentation of the preliminary report of the auditor.

It is the duty of the governing body to report every shortage or irregularity involving public moneys to the prosecutor. The Director is not a prosecuting officer. However, if the governing body does not forth with report such shortage or irregularity it becomes the duty of the Director to make a report to the prosecutor. The accountant must follow upon these matters in each and every instance and keep this Division informed as to progress and procedure.

An example of a special confidential report form follows:

*NOTE: FILE ONE COPY WITH THE NEW JERSEY DIVISION OF LOCAL GOVERNMENT SERVICES, AND WHERE A SHORTAGE IS INVOLVED, ONE COPY WITH THE GOVERNING BODY OF THE AUTHORITY.*

**SPECIAL CONFIDENTIAL REPORT –SECTION 1, PAGE 1**

AUTHORITY NAME \_\_\_\_\_

LOCATION \_\_\_\_\_

*(Preliminary report to be filed within forty-eight hours after discovery)*

1. OFFICIAL
  - (a) Name and title
  - (b) Length of service
  - (c) Name of other persons working in, or having access to same office
  - (d) Duties of persons referred to in (c)

2. AMOUNT INVOLVED \$ \_\_\_\_\_

*(If amount involved is not definitely known, so state, but give known amounts and facts as determined to date. Render supplemental reports of findings from time to time, and give final report in Section 2.)*

3. DISCOVERY
  - (a) Date
  - (b) Facts and circumstances leading to discovery

SPECIAL CONFIDENTIAL REPORT – SECTION 1 , PAGE 2

AUTHORITYNAME\_\_\_\_\_

4. SURETYBONDS

Corporate

(a) Amounts and company\_\_\_\_\_

(b) New bond each term Yes\_\_\_No\_\_\_

(c) Continuation certificate Yes\_\_\_No\_\_\_

Personal

(d) Name, address and business of each bonds man

(e) Amount

5. REPORTED TO

(a) Governing body

(1) How—written or oral

(2) Date

(b) Bonding company

(1) By whom

(2) Company direct

(3) Agent of company

(4) How-- written or oral

(5) Date

(c) Prosecutor

(1) By whom

(2) How-- written or oral

(3) Date

Date\_\_\_\_\_20\_\_\_ SIGNED\_\_\_\_\_

Registered Municipal Accountant  
and/or Certified Public Accountant

SPECIAL CONFIDENTIAL REPORT – SECTION 2, PAGE 3

*(To be filed upon completion, or reasonable determination of amount)*

AUTHORITY NAME \_\_\_\_\_

6. METHOD OR METHODS USED BY OFFICIAL

- (a) In obtaining funds
- (b) In covering up shortage

7. AMOUNT OF SHORTAGE AS DETERMINED AT THIS DATE, AND DATE OF DETERMINATION

8. REPORT OR REPORTS TO

- (a) Governing body
  - (1) How-- written or oral
  - (2) Date
- (b) Bonding company
  - (1) By whom
  - (2) To whom
  - (3) How-- written or oral
  - (4) Date
- (c) Prosecutor
  - (1) By whom
  - (2) How-- written or oral
  - (3) Date

Date \_\_\_\_\_ 20\_\_ SIGNED \_\_\_\_\_

Registered Municipal Accountant  
and/or Certified Public Accountant



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*(To be filed upon disposition of case)*

AUTHORITY NAME \_\_\_\_\_

9. DISPOSITION OF SHORTAGE OF

- (a) Repayment by
- (b) Terms of bonding company settlement

10. REMARKS

*(Note: Legal or criminal action and results)*

Date \_\_\_\_\_ 20\_\_ SIGNED \_\_\_\_\_  
Registered Municipal Accountant  
and/or Certified Public Accountant

**NOTE: To Auditor – No report will be considered complete until all three sections are filed.**